



NET4GAS Consolidated Financial Results as at December 2014

Investor Presentation

April 2015



Key Business Strengths Steadily Maintained

Robust Business Model

- Gas Transmission System Operator (“TSO”) in the heart of Europe, taking advantage of the changing gas flows in Europe
- Stable and predictable long-term cash flows via contracted transit revenues (maximum contract duration up to end of 2034)
- Stable domestic transport business regulated on RAB basis

Strong Financials

- Strong cash generation and credit metrics
- Rated BBB by S&P (stable outlook) and Fitch (positive outlook)
- Conservative financial policy supported by strong shareholders

Operational Excellence

- High quality pipeline network (new Gazelle pipeline started operation in January 2013)
- Strong Health, Safety, Security and Environment (“HSSE”) performance
- Flexible operations which also allow for full reverse flows from west to east

Strategic Asset

- Strategic role in the transmission of gas to North-Western Europe, Central Eastern Europe, South-Eastern Europe and Italy
- Strategic location of the Czech Republic in the centre of Europe
- Sole TSO in the Czech Republic with exclusive gas transmission license connecting all 3 corridors for delivery of gas from Russia into the EU



2014 Financial Highlights and 2015 Outlook

2014 budget outperformed by nearly CZK 1 billion

2014 Results

- Consolidated EBITDA* of CZK 7.0 billion posted in 2014; favorable EBITDA margin of approx. 80% and very solid operating cash flow maintained
- Operating profit of nearly CZK 4.5 billion achieved, despite expiry of one of the long-term transit contracts on 1 Jan 2014
- Strong growth in transit revenues predominantly on the back of increased demand for reverse flows (west-to-east route)
- Decline in domestic transport to be compensated in allowed revenues for 2016
- Increase in operating costs due to rise in the compression gas procured in order to facilitate increased transit gas flows
- Natural currency hedging between core-revenues and debts

2015 Outlook

- Improved EBITDA in comparison to the budget driven by recently added reverse flow contracts booked on a short-term basis
- Budgeted transit revenues already exceeded
- Domestic transport revenues in line with budget
- Overall operating costs stable
- Well-balanced company financing to generate full benefit in 2015 after completing the summer 2014 recapitalization process

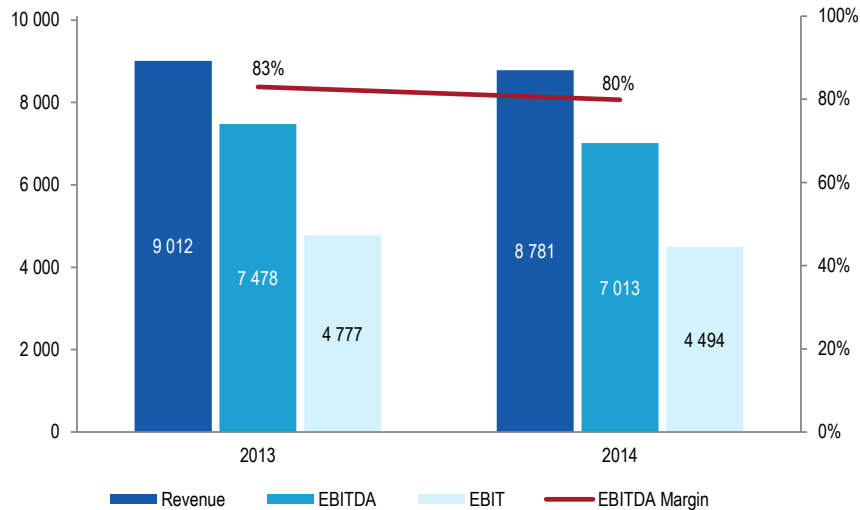
*EBITDA = Operating profit (EBIT) plus depreciation and amortization



EBITDA Margin & Cash Flow

NET4GAS is a highly cash-generative business with an EBITDA margin of 80%

Historical EBITDA Margin and Revenues: 2013-2014
(millions of CZK)

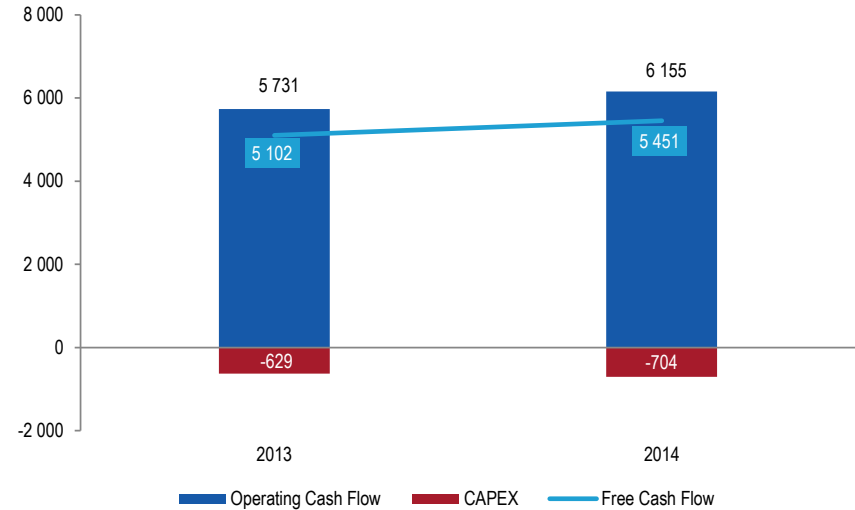


Comments

- Total revenues posted in 2014 amounted to nearly CZK 8.8 billion.
- A stable EBITDA margin maintained at around 80%.
- Extra transit bookings in 2014 exceeded budget by CZK 900 million, partly compensating the expected expiry of one of the long-term transit contracts on 1 Jan 2014.
- Adverse revenue impact from weaker domestic demand to be fully compensated in 2016 through transmission correction factor.

Source: Years ended 2013 and 2014 - Company's audited consolidated IFRS accounts.
EBITDA = Operating profit (EBIT) plus depreciation and amortization

Historical Cash Flows Snapshot: 2013-2014
(millions of CZK)



Comments

- Funds generated by operating activities amounted to c. CZK 6.1 billion in 2014.
- High liquidity, with free cash flow* in excess of CZK 5 billion, was overwhelmingly driven by stable and predictable long-term transit contracts and increasing capacity demand for the west-to-east route.
- CAPEX in 2014 amounting to CZK 704 million was influenced, among other things, by one-time guarantees paid back to vendors in connection with Gazelle pipeline construction.

Free Cash Flow = Operating cash flow minus CAPEX
CAPEX = Purchase of property, plant and equipment plus Purchase of intangible assets

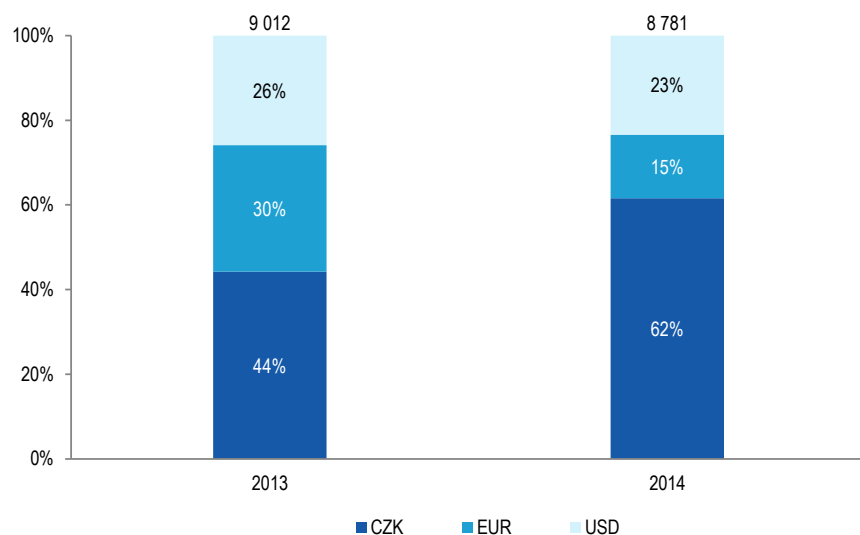


Revenues & Operating Expenses

Substantial revenue of nearly CZK 8.8 billion posted in 2014

Historical Revenue, Currency Split: 2013-2014

(millions of CZK)

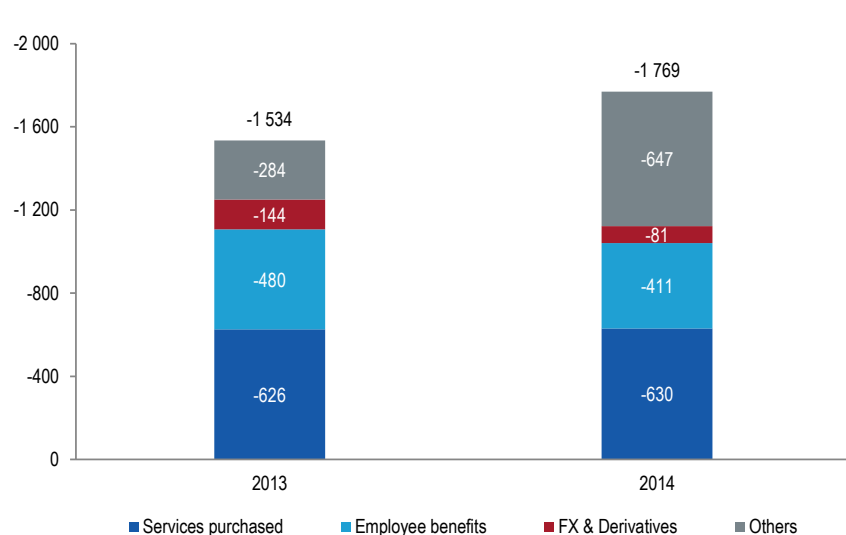


Comments

- NET4GAS has a very solid revenue foundation based on long-term transit contracts and regulated transport revenues.
- Transit revenues represented c. 84%, transport revenues c.15% and other revenues c.1% of total revenues in 2014.
- Transit revenues are collected in 3 currencies – USD, EUR, CZK, with the latter taking the largest share in 2014 (compared to the prior year) due to the expiration of the aforementioned transit contract that was denominated in EUR.

Historical Operating Expenses: 2013-2014

(millions of CZK)



Comments

- The 2013/14 increase in the line item “Others” is mainly due to a rise in the cost of gas procured in connection to transit compression needs (rise in volume of gas transited).
- The 2013/14 drop in employee benefits resulting largely from one-time costs incurred (employee benefits) in relation to organizational restructuring in the course of 2013.
- Services purchased remained stable in 2014 compared to the previous year.



Historical Income Statements 2013-2014

NET4GAS Group

Consolidated Statements of Profit or Loss and Other Comprehensive Income (IFRS)

<i>in mCZK</i>	2013A	2014A
Revenue	9 012	8 781
Raw material consumed	(218)	(750)
Services purchased	(626)	(630)
Employee benefits	(480)	(411)
Depreciation and amortization	(2 701)	(2 519)
Impairment	(39)	15
Losses on disposal of property, plant and equipment	(2)	(5)
Changes in fair value of derivatives, net	(194)	(137)
Foreign exchange differences, net	50	56
Other operating income	25	141
Other operating expenses	(50)	(48)
Operating profit	4 777	4 494
Finance income	33	243
Finance costs	(471)	(886)
Profit before income tax	4 338	3 852
Income tax expense	(833)	(776)
PROFIT FOR THE YEAR	3 506	3 076
Cash flow hedge		(1 489)
Income tax recorded directly in other comprehensive income – cash flow hedge		283
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR	0	(1 206)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3 506	1 870

Comments

- Core business activities generated a substantial profit, exceeding CZK 3 billion in both periods.
- The hedge accounting (HA) concept was adopted in 2014 to hedge cash flows exposed to foreign currency risk.
- The 2014 comprehensive income under IFRS was impacted by hedge accounting. Note that the unrealized gain/loss from hedge accounting is generally treated as part of equity accounts according to Czech Accounting Standards (CAS).
- Total revenue posted for 2014 significantly exceeded financial budget mainly due to improved transit sales.
- Raw material consumed increased due to compression gas procured, but it was more than offset by an increase in transit sales in 2014.
- Expensed employee benefits primarily declined due to non-recurring costs incurred during 2013 organizational changes.
- Finance costs increased year-on-year as a result of changes in the company's capital structure in July 2014.

Source: Years ended 2013 and 2014 - Company's audited consolidated IFRS accounts.



Historical Balance Sheets 2013-2014

NET4GAS Group Consolidated Balance Sheets (IFRS)		
<i>in mCZK</i>	Dec 31, 2013	Dec 31, 2014
ASSETS:		
NON-CURRENT ASSETS		
Property, plant and equipment	49 508	47 523
Intangible assets	154	126
Other non-current assets	1	16
Total non-current assets	49 663	47 665
CURRENT ASSETS		
Inventories	50	65
Trade and other receivables	364	178
Derivative financial instruments	3	-
Current income tax prepayments	168	325
Loans to related parties	5 401	1 372
Other non-financial assets	62	96
Cash and cash equivalents	1 039	1 605
Assets of disposal group held for sale	34	28
Total current assets	7 121	3 669
TOTAL ASSETS	56 784	51 335

Comments

- The company's financial structure was recapitalized in July 2014.
- Year-on-year changes related to the capital structure along with the adoption of hedge accounting represented the most significant financial balance sheet measures in 2014.

NET4GAS Group Consolidated Balance Sheets (IFRS)		
<i>in mCZK</i>	Dec 31, 2013	Dec 31, 2014
EQUITY AND LIABILITIES:		
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		
Registered capital	31 793	2 750
Other reserves	2 143	(1 177)
Retained earnings	5 816	3 515
Total equity	39 752	5 088
NON-CURRENT LIABILITIES		
Trade and other payables	5	4
Borrowings	11 000	38 835
Derivative financial instruments		1 040
Deferred income tax liability	4 937	4 595
Provisions	192	175
Accrued employee benefits	28	53
Total non-current liabilities	16 162	44 703
CURRENT LIABILITIES		
Borrowings	0	253
Trade and other payables	607	831
Derivative financial instruments	94	216
Current income tax payable	46	-
Other taxes payable	19	22
Provisions	25	-
Other non-financial liabilities	79	222
Total current liabilities	870	1 544
Total liabilities	17 032	46 247
EQUITY AND LIABILITIES:	56 784	51 335

Source: Years ended 2013 and 2014 - Company's audited consolidated IFRS accounts.



Historical CF Statement 2013-2014

NET4GAS Group		
Consolidated Statements of Cash Flows (IFRS)		
in mCZK	Dec 31, 2013	Dec 31, 2014
Cash flows from operating activities		
Profit before tax	4 339	3 852
Adjustments	3 317	3 163
Operating cash flows before working capital changes	7 656	7 015
Decrease/(Increase) in trade and other receivables	(44)	186
Increase/(Decrease) in trade and other payables	(234)	531
Decrease/(Increase) in inventories	(44)	18
Operating cash flows after changes in working capital	7 334	7 751
Interest paid	(471)	(633)
Interest received	9	75
Income tax paid	(1 141)	(1 038)
Net cash flows operating activities	5 731	6 155
Cash flows from investing activities		
Purchase of property, plant and equipment	(563)	(654)
Purchase of intangible assets	(66)	(50)
Proceeds from sale of property, plant and equipment	1	17
Repayments of loans provided to related parties	42 005	14 616
Loans provided to related parties	(42 305)	(44 457)
Net cash flows used in investing activities	(928)	(30 528)
Cash flows from financing activities		
Payments of decreased registered capital to the Company's shareholder		(2 526)
Dividends paid to the Company's shareholder	(4 126)	(136)
Other proceeds from financing activities	0	27 602
Net cash flows used in financing activities	(4 126)	24 940
Net increase in cash and cash equivalents	677	566
Cash and cash equivalents at the beginning of the period	362	1 039
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1 039	1 605

Comments

- Cash and cash equivalents at the end of 2014 amounted to CZK 1.6 billion, up approximately CZK 600 million compared to the previous year.
- Net cash flows from operating activities amounted to CZK 6.1 billion after interest and tax were paid.
- Changes in the company's capital structure significantly impacted cash flow in 2014 compared to the previous year.
- Repayments and loans provided to related parties of CZK 29.8 billion - NET4GAS cash-pooling structure - included the following 2014 changes:
 - The registered capital reduction of CZK 29.4 billion was settled as follows: CZK 2.5 billion was actually distributed (see the 'Payments of decreased registered capital' line), whereas the remaining amount of CZK 26.5 billion was netted with receivables from a loan provided to NET4GAS Holdings.
 - The dividend declared in 2014 of CZK 7.4 billion was netted with receivables from loans provided to NET4GAS Holdings, whereas CZK 136 million was actually paid out.
- There was a drawdown of debt facilities of CZK 27.6 billion in July 2014 (see line 'Other proceeds from financing activities').

Source: Years ended 2013 and 2014 - Company's audited consolidated IFRS accounts.



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